

August 29, 2006

Mr. Les Boles
State Budget Director
Office of State Budget
1201 Main Street, Suite 900
Columbia, South Carolina 29201

Dear Mr. Boles,

Please accept the enclosed budget request for the Department of Commerce for FY2006-2007. The Department has three requests: 1) Venture Capital Funding, \$197,500 2) CDBG Federal Match Funding \$150,000 and 3) 1 Other Funded FTE only..

The Department would like to amend its original CPIP request for capital needs. No dollars are being requested at this time for capital improvements

We also have three proviso updates. Two are for the Motion Picture Incentive funds to allow flexibility with marketing dollars and to allow the department to charge a fee for administering. The final is a deletion of the I-73/I-74 proviso.

We appreciate your continued help and support in all our budget matters.

If you have any questions regarding this request, please let me know.

Warm Regards,

Mandy M. Kibler
Director of Administration

FISCAL YEAR 2007-2008 BUDGET PLAN

I. EXECUTIVE SUMMARY

A. **Agency Section/Code/Name:** Section 27/P32/Commerce

B. **Statewide Mission:** The South Carolina Department of Commerce is the economic development and business recruiting arm of the state. The staff and leadership of DOC are totally committed to the mission of the agency and believe in striving to enhance the quality of life for all South Carolinians.

Agency mission statement:

To improve the per capita income of all South Carolinians in a manner that supports and enhances a high quality of life.

It is our vision that South Carolina's economy will become more competitive in a global economy, providing South Carolinians of all ages and skill levels an opportunity to maximize their talents and abilities.

Agency value statement:

DOC is a professional, team-focused, and innovative organization committed to achieving its mission while being a good steward of the taxpayer's dollar.

C. **Summary Description of Strategic or Long-Term Goals:**

- (1) Develop a strategy that recognizes the strengths of the state's existing industries and builds on the opportunities those strengths present.
- (2) Implement a targeted marketing strategy for high-growth industries built around industry clusters identified in our strategic plan.
- (3) Increase investment and job creation in rural South Carolina.
- (4) Increase the quality of the "economic product" in South Carolina through leadership development and a strategic investment strategy.
- (5) Increase the value of exports from South Carolina businesses.
- (6) Develop a strategy to partner workforce development and economic development around industry clusters.

D.

Summary of Operating Budget Priorities for FY 2007-08:		FUNDING					FTEs			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.: 1	Title: Venture Capital Program Funding	0	197,500	0	0	\$197,500	0	0	0	0.00

Summary of Operating Budget Priorities for FY 2007-08:		FUNDING					FTEs			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Strategic Goal No. Referenced in <u>Item C Above (if applicable):</u> Activity Number & Name: NEW Program #										
Priority No.: 2	Title: CDBG Match	0	150,000	0	0	\$150,000	0	0	0	0.00
Strategic Goal No. Referenced in <u>Item C Above (if applicable):</u> Activity Number & Name: 1304										
Priority No.: 3	Title: Aeronautics Position	0	0	0	0	\$ 0	0	0	1	1.00
Strategic Goal No. Referenced in <u>Item C Above (if applicable):</u> Activity Number & Name: 1306										
TOTAL OF ALL PRIORITIES		\$ 0	\$347,500	\$ 0	\$ 0	\$347,500	0.00	0.00	1.00	1.00

E. **Agency Recurring Base Appropriation:**

State \$ 15,327,082
Federal \$ 96,876,911
Other \$ 32,653,500

F. **Efficiency Measures:**

Budgeting and Financial Processes – The Department continues with a formal budgeting process which began in November 2003. During this process, each division developed Key Bets (short term goals) and Strategic Initiatives (long term goals). The Key Bets and Strategic Initiatives are then tied to the budget. Each month the Division Directors meets with the Chief of Staff and the Director of Administration in order to provide updates to Key Bets and Strategic Initiatives and to review the division's budget. Each fiscal year the Key Bets and Strategic Initiatives are reviewed and updated. This provides accountability not only for the department but for the businesses and communities that we work with on a day-to-day basis.

Annual Performance Incentive Program (APIP) – The Department has implemented an Annual Performance Incentive Program for all full time employees. The Annual Performance Incentive Program is tied directly to performance at both the division and individual level. The purpose of the Agency Performance Incentive Plan is to provide a strategic tool to assist the Department of Commerce in achieving its goal of improving the economic well being of South Carolinians in a manner that supports and enhances a high quality of life by linking specific performance measures to incentive pay. The plan is designed to potentially reward employees for exceptional performance for assigned duties and responsibilities, achieving targeted quality and productivity goals and contributing to the strategic initiatives of their business unit.

G.

Summary of Capital Budget Priorities:			Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Total of All Capital Budget Priorities:			\$ 0	\$ 0	\$ 0	\$ 0

* If applicable

****We are amending this section from our CPIP. We are not requesting additional dollars at this time for capital improvements.

H. Number of Proviso Changes: 3

I. Signature/Agency Contacts/Telephone Numbers:

Mr. Joe E. Taylor, Jr.
Commerce Secretary
(803) 737-0400

Ms. Mandy M. Kibler
Director of Administration
(803) 737-0462

II. DETAILED JUSTIFICATION FOR FY 2007-2008 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name:

B. Priority No. __1__ of __3__

C. (1) Title: Venture Capital Program Funding

(2) Summary Description: The Department is currently funding the Venture Capital program with existing operational dollars for the position including salary and fringe. With the VC Request for Proposal underway, the Venture Capital program will begin to take shape and will have the need for outside legal counsel during negotiation and the finalizing of VC contracts. We will also have to have the VC Fund audited on an annual basis. These funds are necessary as this is a new program to which no operating money has been allocated or appropriated. Funds would be used to cover these basic operational costs.

(3) Strategic Goal/Action Plan (*if applicable*): ALL

D. Budget Program Number and Name: Business Solutions – 60050100 - IIB

E. Agency Activity Number and Name: NEW Program

F. Detailed Justification for Funding

(1) Justification for Funding Increase: The Department is currently funding the Venture Capital program with existing operational dollars for the position including salary and fringe. With the VC Request for Proposal underway, the Venture Capital program will begin to take shape and will have the need for outside legal counsel during negotiation and the finalizing of VC contracts. We will also have to have the VC Fund audited on an annual basis. These funds are necessary as this is a new program to which no operating money has been allocated or appropriated. Funds would be used to cover these basic operational costs.

(2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Salary		60,000			\$60,000

(c) Fringe Benefits		18,000			\$18,000
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses		119,500			\$119,500
Total	\$ 0	\$197,500	\$ 0	\$ 0	\$197,500
<i>* If new FTEs are needed, please complete Section F (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State \$ 15,327,082
Federal \$ 96,876,911
Other \$ 32,653,500

(4) Is this priority associated with a Capital Budget Priority? No If so, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(1) Justification for New FTEs

(a) Justification:

(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

	State	Federal	Earmarked	Restricted	Total
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Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

(3) FTEs in Program Area per FY 2007-08 Appropriation Act:

State 95.97
Federal 43.87
Other 13.16

Agency-wide Vacant FTEs as of July 31, 2006: 34

% Vacant 22% * Vacancy rate is higher than normal due to the new positions that we received as of July 1, 2006 and vacant WIA positions.

H. Other Comments:

II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name:

B. Priority No. __2__ of __3__

D. (1) Title: Community Development Block Grant (CDBG) Funding

(2) Summary Description: These funds would allow the Department to match its CDBG program fully with state funds. We requested \$350,000 last year when the flexibility proviso was deleted. The entire program needs approximately \$500,000 as there is a 50/50 match. Funds are needed for personnel and fringe benefits, travel, technical assistance and supplies and materials.

(3) Strategic Goal/Action Plan (*if applicable*): ALL

D. Budget Program Number and Name: 60150500 – Community Grants – II D 1

E. Agency Activity Number and Name: 1304

F. Detailed Justification for Funding

(1) Justification for Funding Increase: These funds would allow the Department to match its CDBG program fully with state funds. We requested \$350,000 last year when the flexibility proviso was deleted. The entire program needs approximately \$500,000 as there is a 50/50 match. Funds are needed for personnel and fringe benefits, travel, technical assistance and supplies and materials.

(2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0

Other Operating Expenses		150,000			\$150,000
Total	\$0	\$150,000	\$ 0	\$ 0	\$150,000
<i>* If new FTEs are needed, please complete Section F (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State \$ 15,327,082

Federal \$ 96,876,911

Other \$ 32,653,500

(4) Is this priority associated with a Capital Budget Priority? No If so, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(2) Justification for New FTEs

(a) Justification:

(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

(3) FTEs in Program Area per FY 2005-06 Appropriation Act:

State	___95.97___
Federal	___43.87___
Other	___13.16___

Agency-wide Vacant FTEs as of July 31, 2006: 34

% Vacant 22% * Vacancy rate is higher than normal due to the new positions that we received as of July 1, 2006 and vacant WIA positions.

H. Other Comments:

II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name:

B. Priority No. __3__ of __3__

E. (1) Title: Aeronautics Position

(2) Summary Description: The Division of Aeronautics is requesting a position for an Engineer. This position would be funded with other funds that the Division currently has. This position is critical to their operation, which will help save federal and state dollars by reviewing plans and studies in-house and providing technical support.

(3) Strategic Goal/Action Plan (*if applicable*): ALL

D. Budget Program Number and Name: 60250100 Aeronautics

E. Agency Activity Number and Name: 1306

F. Detailed Justification for Funding

(1) Justification for Funding Increase: The Division of Aeronautics is requesting a position for an Engineer. This position would be funded with other funds that the Division currently has. This position is critical to their operation, which will help save federal and state dollars by reviewing plans and studies in-house and providing technical support.

(2)

FY 2007-08 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*				1.0	1.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses					\$ 0

Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<i>* If new FTEs are needed, please complete Section F (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State \$ 15,327,082
Federal \$ 96,876,911
Other \$ 32,653,500

(4) Is this priority associated with a Capital Budget Priority? No If so, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(3) Justification for New FTEs

- (a) Justification:
(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title: Engineer II					
(a) Number of FTEs			1.0		1.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

(3) FTEs in Program Area per FY 2005-06 Appropriation Act:

State \$ 15,327,082

Federal\$ 96,876,911

Other \$ 32,653,500

Agency-wide Vacant FTEs as of July 31, 2006: 34

% Vacant 22% * Vacancy rate is higher than normal due to the new positions that we received as of July 1, 2006 and vacant WIA positions.

I. Other Comments:

The Department currently has earmarked funding available to fund this FTE. No funding is being requested.

III. DETAILED JUSTIFICATION FOR CAPITAL BUDGET PRIORITIES

****We are amending this section from our CPIP. We are not requesting additional dollars at this time for capital improvements.

- A. Agency Section/Code/Name:
- B. Priority No. ____ of ____
- C. Strategic Goal/Action Plan *(if applicable)*:
- D. Project Name and Number *(if applicable)*:
- E. Agency Activity Number and Name:
- F. Description of Priority:
- G. Detailed Justification for Funding

(1) Justification for Funding Priority:

(2)

Total Project Cost Estimates:	Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Total Project Cost*				\$ 0

** If additional annual operating costs from any source of funding are anticipated upon project completion please complete Sections H and I (Justification for Additional Future Annual Operating Costs) below.*

H. Justification for First Year Additional Future Annual Operating Costs:

Will additional annual operating costs be absorbed into your existing budget? _____

If not, will additional state funds be needed in the future? _____

If state funds will not be needed in the future, explain the source(s) that will be used. _____

First Fiscal Year Additional Annual Operating Costs Are Anticipated: _____ Will this fiscal year require a partial or full year's operating funds? _____ If a partial year's funds are required, what portion of the year does it cover? _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

I. Justification for First Full Year Additional Future Annual Operating Costs (*If Section H above represents a full year's operating funds, do not complete this section.*)

(1) Will additional annual operating costs be absorbed into your existing budget? _____
 If not, will additional state funds be needed in the future? _____
 If state funds will not be needed in the future, explain the source(s) that will be used. _____

(2) First Full Fiscal Year Additional Annual Operating Costs Are Anticipated: _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0

Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
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J. Other Comments:

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

I. 2% COST SAVINGS ASSESSMENT

- A. Agency Section/Code/Name: Section 27/P32/Department of Commerce
- B. Agency Activity Number and Name: Agency Pass Thrus/1307
- C. Explanation of Cost Savings Initiative: Potential costs savings through allowing the pass thru allocations to participate in the competitive grant process therefore eliminating the need for dollars in both places. We currently receive \$500,000 in competitive grant funds that could fund these pass thru allocations.
- D. Estimate of Savings:

FY 2007-08 Cost Savings Estimates:	General	Federal	Other	Total
Personnel:				
(a) Number of FTEs				0.00
(b) Personal Service				\$ 0
(c) Employer Contributions				\$ 0
Program/Case Services				\$ 0
Pass-Through Funds	597,688			\$597,688
Other Operating Expenses				\$ 0
Total	\$597,688	\$ 0	\$ 0	\$597,688

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

F.

Summary of Cost Savings Initiatives for FY 2007-08:	FUNDING				FTEs			
	General	Federal	Other	Total	State	Fed.	Other	Total
Initiative Title: 1307 Pass Thru	597,688	0	0	\$597,688	0	0	0	0.00
Activity Number & Name:								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
TOTAL OF ALL INITIATIVES	\$597,688	\$ 0	\$ 0	\$597,688	0.00	0.00	0.00	0.00

FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF AGENCY ACTIVITIES

A. Agency Section/Code/Name: Section 27/P32/Commerce

**The Department of Commerce through cutbacks has mostly eliminated its lowest priority activities therefore we currently do not have any that would rank low with the exception of our pass thru allocations.

B. Agency Activity Number and Name: 1307 Pass Thru Allocations

C. Explanation of Lowest Priority Status: These dollars are for pass thru allocations to which are outside the scope of Commerce's enabling legislation.

D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	597,688	0	0	0	0	\$597,688
Other Operating Expenses	0	0	0	0	0	\$ 0
Total	\$597,688	\$ 0	\$ 0	\$ 0	\$ 0	\$597,688

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

F.

Summary of Priority Assessment of Activities	General	Federal	Supplemental	Capital Reserve	Other	Total	FTEs
Activity Number & Name:1307	597,688	0	0	0	0	\$597,688	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
TOTAL OF LOWEST PRIORITES	\$597,688	\$ 0	\$ 0	\$ 0	\$ 0	\$597,688	0.00